



Fiscal Monitoring in Compliance Reviews

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Presentation Topics

- Fiscal Monitoring (FM) Instrument and Evidence Requests by Item
- Best Practices for a Successful Review
- *Interactive Group Work*



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The Fiscal Monitoring Instrument Includes Review of

- Title I, Part A, Basic Grants Low Income and Neglected Program—Resource Code 3010
- Title I, Part C, Migrant Ed & Migrant Ed Summer Program—Resource Codes 3060 & 3061
- Title II, Part A, Teacher Quality Program—Resource Code 4035
- Title III, Limited English Proficiency (LEP) Student Program—Resource Code 4203
- Title IV, Part B, 21st Century Program—Resource Code 4124



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Fiscal Monitoring Instrument Components

- III-FM 01 Timekeeping Requirements
- III-FM 02 Allowable Costs
- III-FM 03 Supplement, Not Supplant
- III-FM 04 Cash Management
- III-FM 05 Funding
- III-FM 06 Reporting



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III-FM 01 federal Timekeeping Requirements

Ensure the LEA properly *charges and documents* salaries and wages that are reasonable, necessary, and allowable in accordance with applicable program requirements.

Title 2 C.F.R. Part 200.430



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Evidence Requests for Timekeeping Requirements

Initial Requests:

- Payroll Register
- General Ledger
- Position Control Report
- District Time Accounting policies and practices

Secondary Requests:

- District Time Accounting Documents
- Duty Statements/Job Descriptions



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Cost of Compensation is allowable to the extent that:

- (1) It is reasonable and conforms with the LEA's written policies and practices, and is consistently applied to both federal and non-federal activities;
- (2) The position is appointed in accordance with LEA's rules or written policies and meets the requirements of federal statute; and
- (3) It is determined and supported in accordance with state and federal documentation requirements

Title 2 C.F.R. Part 200.430 (a) (1)-(3)



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EDGAR Requirements

Time Accounting Records Must:

- Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated
- Be incorporated into the official records of the LEA
- Reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities (this includes additional hours and overtime)
- Encompass all activities compensated by the LEA, federal and non-federal

2 C.F.R. Part 200 430(8)(i)(1)



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EDGAR Requirements (cont.)

- Comply with the established accounting policies and practices of the LEA
- Support the distribution of the employee's salary or wages among specific activities or cost objectives
- Not reflect budget estimates or percentages (i.e. estimates determined before the services are performed) as estimates do not qualify as support for charges to federal awards

2 C.F.R. Part 200 430(8)(i)(1)



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What is a “cost objective”?

A cost objective is a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

In practical terms, a cost objective is a set of work activities allowable under the terms and conditions of a particular funding source.



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Cost Objectives

All duties of the position serve the same population of students

AND

Funding and activities of the position can be supported 100% by each funding source

= Single Cost Objective



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Cost Objectives

If both conditions cannot be met...

= Multiple Cost Objective



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Main thing to consider...

For records which do not meet the standards,
additional documentation will be required.

*LEA's whose time accounting system adequately met
OMB A-87 requirements may continue to utilize the
same time accounting system*



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Employee with Multiple Positions

If an employee has a supplemental contract in addition to a regular position outside the employee's normal workday (e.g., a teacher during the school day and a coach after school), then each position is evaluated to determine the time documentation needed for each.



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Substitute Systems

LEAs may utilize one of two approved substitute systems*

1. Substitute System Based on Sampling System
2. Substitute System Based on Predetermined Schedule

**See CSAM 2016 for details on these two systems for time accounting*



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Timekeeping Policies & Practices...

...are NOT restatements of federal or state regulations

...are NOT a summary statement in an email or memo

...are NOT generic formalities for compliance reviews



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Timekeeping Policies & Practices SHOULD ...

...be specific to the LEA

...discuss training, reconciliation, process for funding changes

...detail internal controls and deadlines, including identifying who is responsible for each step

...provide LEA template(s)



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Frequent FM 01 Findings

- Employees utilize budget estimates or other pre-determined percentages
- Time accounting documents do not reconcile to actual salary charged on the general ledger/payroll register
- LEA does not keep district specific written policies and practices for time and effort reporting with adequate internal controls



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In a Nutshell

- Do not use predetermined percentages or budget estimates with no supporting documentation
- Be sure to keep time accounting records based on actual activities of the employee (single cost-objectives vs multiple cost objectives)
- Account for 100% of the position whether activities are in part or fully funded by federal programs
- Maintain and enforce district specific practices



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III-FM 02

Allowable Costs

Ensure the LEA charges costs to the program that are reasonable, necessary, and allowable in accordance with applicable statutes, regulations, and program requirements.

Title 2 C.F.R. Part 200.400-475



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Evidence Requests for Allowable Costs

Initial Requests:

- General Ledger
- Chart of Accounts
- Single Plan for Student Achievement (SPSA)
- District Policies and Practices for Procurement

Secondary Requests:

- Invoices
- Documentation supporting expenditures to federal programs



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Cost Principles: Basic Guidelines

To be allowable under federal awards, all costs must:

- Be necessary and reasonable
- Conform to any limitations or exclusions
- Be consistent with LEA policies and practices
- Be determined in accordance with generally accepted accounting principles (GAAP)

Title 2, CFR, Part 200.403



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Cost Principles: Basic Guidelines Cont.

- Be accorded consistent treatment
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period
- Be adequately documented

Title 2, CFR, Part 200.403



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Unallowable Costs

Examples of costs that are not *typically* allowable:

- Food
- Entertainment, amusement, social activities
- Fines, Fees or Penalties
- Goods or services for personal use
- Advertising, promotional, incentive items



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Frequent FM 02 Finding

The LEA charged meal costs to federal programs

- Employee Meals
- Parent Meals

Determinations will be made on a case-by-case basis, but allowing food costs will be **rare**.



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Frequent FM 02 Finding: Food (Employee Meals)

There is a **very high** burden of proof to show that paying for food and beverages for employees with federal funds is necessary to meet the goals and objectives of a federal grant.

At a district training or a meeting, agendas should be structured to allow participants to purchase their own food, beverages, and snacks. In addition, the event should be planned in locations where participants can buy or bring and store food.



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Frequent FM 02 Finding: Food (Parent Meals)

Specific federal awards allow light refreshment costs to promote parent involvement. These charges must be properly documented and must be a reasonable expense.

Meetings required by state law, that include parent participation, should not have food and beverage charges for parent involvement, because attendance is required (SSC, etc.).



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III-FM 03

Supplement, Not Supplant

Ensure the LEA uses categorical funds only to supplement, and not supplant state and local funds for the following programs:

- (a) Title I, Part A** (20 U.S.C. § 6321[b]) – Resource Code 3010
- (b) Title I, Part C** (20 U.S.C. §§ 6321[b] and 6394[c][2]) – Resource Code 3060 and 3061
- (c) Title II, Part A** (20 U.S.C. § 6321) – Resource Code 4035
- (d) Title III** (20 U.S.C. § 6825[g]; 5 CCR 4320[a]; EC §§ 52168[b] and [c]; 54025[c]) – Resource Code 4203
- (e) Title IV** (EC § 8483.5[e]; 20 U.S.C. § 7174[b][2][G]) – Resource Code 4124



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Evidence Requests for Supplement, Not Supplant

Initial Requests:

- General Ledger
- Position Control Report
- SPSA
- Schoolwide Plan

Secondary Requests:

- Invoices
- Time Accounting Documents
- Budgetary Documents



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The question is...

What would have happened in the absence of federal funds?



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Title I Schoolwide Programs

SWP Requirement Basics:

- Conduct a comprehensive needs assessment
- Create a comprehensive plan
- Annual Evaluation
- Use Title I funds to supplement total funds
 - Meet intents and purposes of programs
 - Address educational needs



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Supplement not Supplant

- Schools must receive all the state and local funds it would otherwise **NEED TO OPERATE** in the absence of federal funds.
- Includes routine operating expenses such as building maintenance and repairs, landscaping and custodial services.



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Supplement not Supplant Example

Facts: Weighted per pupil allocation

- Basic per-pupil: \$5,000
- Additional allocation per low-income: \$500
- Additional allocation per Spec Ed: \$1,500
- Additional allocation per EL: \$700

A district would violate the supplemental funds test if it denied the extra \$500 per low income student because the school received Title I funds.



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Frequent FM 03 Findings

- The LEA charged Title III program for administering the California English Language Development Test (CELDT)
- The LEA charged required translation costs to the Title III program



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Every Student Succeeds Act (ESSA)

Resources:

- ED web page

<http://www.ed.gov/essa>

- ED e-mail address:

essa.questions@ed.gov



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Title I, ESSA and Supplement, Not Supplant

For the fiscal review, Supplement, Not Supplant
is still in effect,
but the test for compliance has changed.



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Supplement, Not Supplant Test for Compliance Under ESSA

Equitable Distribution of Title I Funds: LEAs must demonstrate that the methodology used to allocate state and local funds ensures that each site receives all state and local funds it would otherwise receive if Title I funds were not available.

Meaning: LEAs should have allocated sufficient state and local funding to each site to provide the basic educational program and services



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III-FM 04

Cash Management

Verify that the LEA is properly calculating, reporting, and remitting interest earned on unspent federal advances.

Title 2 C.F.R. Part 200.302-305



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Evidence Requests for Cash Management

- federal Interest Calculation Worksheets and Detail
- County Treasurer Interest Rate Letter
- Remittance Documents
- General Ledger
- LEA's written methodology of processing Interest Calculation



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Calculating Interest Earned

- Only include interest earned on federal program advances administered by the CDE
- Cash balances of federal **reimbursement** programs should be omitted
www.cde.ca.gov/fg/ac/co/reimbursableprograms.asp
- If state and federal funding is comingled, and cannot be separately identified, calculate interest on total balance

Title 2 C.F.R. Part 200.302



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Calculating Interest Earned

- LEAs are required to maintain written district-specific methodologies based upon actual interest earnings on federal funds
- LEAs should calculate interest based on an average daily balance
- LEAs are allowed to keep interest amounts up to \$500 **annually** for administrative purposes in total, not for each federal resource



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Reporting Interest Earned

- LEAs should **calculate**, report, and remit at least on a **quarterly** basis
- If there is no interest to remit, the LEA must notify the CDE in writing (via e-mail: cashmanagement@cde.ca.gov or letter) stating no interest is due for the specific reporting period and include a coinciding copy of the calculation for verification



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Remitting Interest Earned

- Interest on federal cash balances should be sent to the CDE at the following address:

California Department of Education
Attention: Cashier's Office
P.O. Box 515006
Sacramento, CA 95851

- When remitting federal interest to CDE, LEAs should include their County-District-School code and specify the time period(s) the interest was earned
- Reporting calculations or questions can be emailed cashmanagement@cde.ca.gov



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Frequent FM 04 Findings

- The LEA included federal reimbursement programs in the federal interest earned calculations
- The LEA netted daily balances in their federal interest earned calculations when using an alternate method other than average daily balance calculations



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III-FM 05 Funding

Ensure that the LEA allocates Title I, Part A funds to school sites in accordance with the approved allocation formulas contained in the Consolidated Application. The school site council must annually review, update and approve the School Plans for Student Achievement, including the proposed expenditures; and the local governing board must review and approve the school plans annually or whenever there are material changes to the plan.

ESEA Section 1113 [c]



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Documents for Funding

- General Ledger
- Complete and approved SPSA
- LEA Plan
- Allocation Notifications (letters, memos, e-mails, meeting minutes)



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Funding: Title I, Part A Program Resource Code 3010

Each **SPSA** should:

- Accurately **reflect the allocation** of Title I, Part A funds through the Consolidated Application
- Include the **proposed expenditure of all** Title I, Part A funds allocated to the school site
- Identify any funds that have been consolidated in a Schoolwide program
- Be **reviewed and approved** by the school site council and governing board, at least annually



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Frequent FM 05 Findings

- The LEA's Title I, Part A allocation in the SPSA differed significantly from the Consolidated Application and general ledger
- The SPSA's are not regularly evaluated, updated, and approved



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III-FM 06 Reporting

Ensure that the LEA complied with the accountability and reporting requirements for the Title IV, 21st Century Program (*resource 4124*).



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Reporting: 21st Century Program

- The reviewer will verify the fiscal information that the LEA has reported to CDE and compare against LEA's general ledger or other reporting documentation
- If the LEA does not receive any 21st Century Program funds, then please indicate through a comment in CMT so the reviewer can verify the item will not be monitored and no documentation will be necessary



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Best Practices for a Successful Review

- As soon as you know who your reviewer is, initiate communication and **COMMUNICATE OFTEN** with your reviewer, via CMT comments, phone, or e-mail
- Regularly check activity, comments and resources
- Upload and certify documentation in a timely manner to allow ample time for review and follow-up of documents
- Delegate where possible; **Involve your Fiscal/Business Staff**



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